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NEA/IPA FOR GOLDBERGER/LENTZ; NSC FOR PASCUAL
DEPT PLEASE PASS TO USAID FOR ANE/MEA:MCCLLOUD/BORODIN

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SUBJECT: GAZA FOOD AND FUEL: MORE DIESEL THROUGH THE TUNNELS

¶1. (SBU) Summary. Gaza-based contacts report that shipments of humanitarian and commercial goods into Gaza from Israel were slightly higher in September compared to previous periods. Fuel imports remain restricted, encouraging smuggling of diesel from Egypt. Gaza sources and press reports note that increased supplies of diesel in Gaza have pushed prices down to near Israeli levels. End Summary.

Food imports

¶2. (SBU) Gaza-based UN contacts report that an average of 350 truckloads/week has entered Gaza via Kerem Shalom and/or Sufa crossings since the first of September, a slightly higher rate compared to the previous period: July and August shipments averaged approximately 325 truckloads/week. (In addition, approximately 250 truckloads/week of animal feed and grains enter Gaza via the Karni conveyor belt.) The majority of shipments into Gaza remain commercial food and merchandise. WHO contacts report that most families in Gaza have enough food to survive, but the inability to provide recommended nutrient levels will likely have negative long-term effects on the health of many of Gaza's children. (Note: The UN continues to use May 2007 import figures --when imports averaged 3,094 truckloads/week-- as a "baseline" for Gaza's requirements. End Note.)

Imports of fuel from Israel remain steady

¶3. (SBU) PA and UN contacts report that fuel imports from Israel meet 25-40 percent of Gaza's demand and note that import totals have remained level for the past few months. The PA Gaza Fuel Agency director reported to EconOff on October 3 the following fuel import amounts through Nahal Oz:

- Diesel - 1.2 million liters/week
- Gasoline (Benzene) - 120,000 liters/week
- Cooking gas - 1,000 tons
- Industrial Diesel (for the Gaza Power Plant) - 2.5 million liters/week

¶4. (SBU) The manager of the Gaza Power Plant said on October 3 that the plant continues to average 60 MW output, which is roughly 35 percent of Gaza's total power supply. Israeli feeder lines provide 115 MW, and 17 MW comes from the Egyptian grid.

Smuggled fuel from Egypt increases

¶5. (SBU) PA contacts report that an increasing amount of diesel fuel is being pumped into Gaza via the tunnels from Egypt and sold on the black market. Local press reports state that, as a result of improved fuel pump systems in the tunnels, the price of smuggled diesel fuel has dropped 65 percent in recent weeks and now nearly matches prices in Israel. (Note: We understand the quality of the smuggled

diesel, however, to be much worse. End Note.) The Vice Chairman of the Gaza Gas Station Owners Association told Economic Specialist on October 3 that Gazans have asked tunnel operators to bring gasoline in through the tunnels, but the operators are hesitant due to its highly combustible quality.

Eid demands on the tunnels: Chocolate and Sheep

16. (SBU) Gaza contacts also privately comment that the tunnel operators are highly responsive to local demand. As an example, they shipped increased quantities of chocolate in advance of the Eid holiday. Sheep are also being smuggled in. One contact noted the ease in which sheep come through the tunnels: "All you have to do is get the first one through, and the rest follow."
WALLES